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**Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana**

**Annual Financial Statements
December 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/9/06

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Annual Financial Statements
December 31, 2005
With Supplemental Information Schedules

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Independent Auditor's Report

To the Board of Commissioners
Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

We have audited the accompanying financial statements of the business-type activities and each major fund of the Washington Parish Gas Utility District No.2, a component unit of the Washington Parish Council, as of December 31, 2005, which comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Washington Parish Gas Utility District No.2's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Washington Parish Gas Utility District No.2, as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued our report dated June, 26, 2006, on our consideration of the Washington Parish Gas Utility District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

To the Board of Commissioners
Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana
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The management's discussion and analysis on pages 6 through 13, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Washington Parish Gas Utility District No.2's basic financial statements. The supplemental information on pages 31 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

June 26, 2006

Management's Discussion and Analysis

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
WASHINGTON PARISH GOVERNMENT
FRANKLINTON, LOUISIANA

Management's Discussion and Analysis
As of and for Year Ended December 31, 2005

Introduction

Washington Parish Gas Utility District No. 2 is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standard Board Statement No 34, Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments (hereinafter referred to as GASB 34) and related standards. Please read the following in conjunction with the District's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets at December 31, 2005, were \$1,133,307, and exceeded liabilities in the amount of \$370,560 (i.e., net assets). Of the total net assets, \$345,556 was unrestricted and available to support short-term operations, with the balance invested in capital assets net of related debt, and restricted for capital activity and debt service.
- Total long-term debt, including the short-term payment due within one year, decreased from \$633,921 at December 31, 2004 to \$602,673 December 31, 2005. The prescribed monthly payments were all made in a timely manner.
- User fee revenues (gas sales) for the fiscal year ending December 31, 2005 increased by \$159,120 representing an approximate increase of 27.29% from user fee revenues for fiscal year December 31, 2004 of \$582,986. This increase was due mainly to a major increase in the price of natural gas.
- The District's operating expenses, consisting of those expenses resulting from the ongoing operations, other than depreciation, increased by \$86,725. Key components of the increase were gas cost increase of \$79,220; salaries increase of \$5,047, insurance increase of \$14,831, and leak survey decrease of \$ 17,436.
- The District was devastated by Hurricane Katrina on August 29, 2005. The distribution system was uprooted in numerous places, and meters destroyed by fallen trees, the office was without electricity for 15 days. The staff was unable to send out bills for August 2005. The District has submitted documents to FEMA for reimbursement of extraordinary expenses involved with the cleanup and repair of the system. The total amount requested is \$64,313. FEMA officials have signed the documents but as of May 17, 2006 no funds have been received. This anticipated reimbursement has not been recorded in the District's books and records.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for Year Ended December 31, 2005

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to basic financial statement and supplementary information. The MD&A presents an overview of management's examination and analysis of Washington Parish Gas Utility District No. 2's financial condition and performance.

The financial statement reports information on the District using full accrual accounting methods similar to those used in the private sector. Financial statements include the Statement of Net Assets, Statement of Revenues, Expenses, and changes in Net Assets, and the Statement of Cash Flows. The Statement of Net Assets provides information about the nature and amount of the District's resources and obligation at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Assets accounts for the operation of the District, for the revenues and expenses and the resulting change in net assets for fiscal year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flow reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what cash was used for and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosure essential to the understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule.

Financial Analysis

The purpose of financial analysis is to help determine whether the District is better off as a result of the current year's activities. In this analysis, data from two basic financial statements, the Statement of Net Assets, and the Statement of Revenues, Expenses, and Change in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for Year Ended December 31, 2005

Condensed Balance Sheet

	December 31, 2005	December 31, 2004	Dollar Change	Percent Change
Assets:				
Current and Other Assets	\$ 450,723	\$ 343,617	\$ 107,106	31.17%
Restricted Assets	90,723	77,436	13,287	17.16%
Capital Assets	591,861	637,146	(45,285)	-7.11%
Total Assets	<u>\$ 1,133,307</u>	<u>\$ 1,058,199</u>	<u>75,108</u>	<u>7.10%</u>
Liabilities:				
Long-term Debt Outstanding	602,673	633,921	(31,248)	-4.93%
Other Liabilities	160,074	91,622	68,452	74.71%
Total Liabilities	<u>762,747</u>	<u>725,543</u>	<u>37,204</u>	<u>5.13%</u>
Net Assets:				
Invested in Capital Assets, Net	(10,812)	3,225	(14,037)	-435.26%
Restricted for Debit Service	35,816	27,603	8,213	29.75%
Unrestricted	345,556	301,828	43,728	14.49%
Total Net Assets	<u>\$ 370,560</u>	<u>\$ 332,656</u>	<u>\$ 37,904</u>	<u>11.39%</u>

The major components of change in "Current and Other Assets" are a \$93,063 increase in accounts receivable, and \$14,316 increase in inventory.

"Capital Assets" decreased by \$45,285, reflecting \$14,302 in equipment purchases, and depreciation recorded on capital assets of \$59,587.

The decrease in "Long-Term Debt Outstanding" of \$31,248 is due to payment of principle on existing gas revenue bonds for the year.

Total Net Assets increased \$37,904 for fiscal year ending December 31, 2005, primarily because of the increases noted for "Current and Other Assets".

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for Year Ended December 31, 2005

Condensed Statement of Revenues, Expenditures, and Changes in Fund Balance

	December 31, 2005	December 31, 2004	Dollar Change	Percent Change
Revenues:				
Total Operating Revenues	<u>\$ 753,471</u>	<u>\$ 593,835</u>	<u>\$ 159,636</u>	26.88%
Operating Expenses:				
Depreciation Expenses	59,587	58,249	1,338	2.30%
Gas Purchases	344,456	265,236	79,220	29.87%
Bad Debts	1,500	3,000	(1,500)	-50.00%
Other Operating Expenses	286,038	277,033	9,005	3.25%
Total Other Expenses	<u>691,581</u>	<u>603,518</u>	<u>88,063</u>	14.59%
Operating Income (Loss)	<u>61,890</u>	<u>(9,683)</u>	<u>71,573</u>	739.16%
Nonoperating revenues (expenses)				
Interest income	5,373	3,391	1,982	58.45%
Gain on sale of equipment	-	1,001	(1,001)	-100.00%
Revenue bond Interest	(29,359)	(30,911)	1,552	-5.02%
Total nonoperating revenues (expenses)	<u>(23,986)</u>	<u>(26,519)</u>	<u>2,533</u>	-9.55%
Income (loss) before contribution	<u>37,904</u>	<u>(36,202)</u>	<u>74,106</u>	204.70%
Contributions				
Grant contribution	<u>-</u>	<u>5,886</u>	<u>(5,886)</u>	-100.00%
Total contributions	<u>-</u>	<u>5,886</u>	<u>(5,886)</u>	-100.00%
Change in net assets	<u>\$ 37,904</u>	<u>\$ (30,316)</u>	<u>\$ 68,220</u>	-225.03%

While the Statement of Net Assets shows the change in financial position of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. Total "Operating Revenues" (including gas sales and revenues related to providing gas and related services to customers) increased by \$159,636. Interest income increased \$1,982. Grant Contributions decreased by \$5,886. Total Operating Expenses including depreciation expense increased by \$88,063 over prior year expenses. Gas sales increased \$159,636, and gas cost increased by \$79,220.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for Year Ended December 31, 2005

Budgetary Highlights

The proposed budget for 2005 was presented at the November 23, 2004 board meeting, and adopted at the December 17, 2004 meeting. The budget is prepared on the accrual basis of accounting, with additional provision made for bond debt service. The board forwarded a copy of the approved budget to the Washington Parish Council. The board reviews the budget actual comparison on a monthly basis as a part of their management of the system. The 2006 budget was presented at the November 22, 2005 board meeting and adopted at the December 15, 2005 meeting.

Budget vs. Actual – Fiscal Year End December 31, 2005

	Amended Budget	Actual	Variance
Gas sales	\$ 575,000	\$ 742,106	\$ 167,106
Forfeited discount	5,000	5,744	744
Adjustment/over read meters	2,500	5,122	2,622
Miscellaneous income	1,000	499	(501)
Total operating revenues	<u>583,500</u>	<u>753,471</u>	<u>169,971</u>
Gas purchases	244,000	344,456	(100,456)
Bad debts	3,000	1,500	1,500
Operating expenses	253,040	286,038	(32,998)
Depreciation	55,000	59,587	(4,587)
Total operating expenses	<u>555,040</u>	<u>691,581</u>	<u>(136,541)</u>
Operating income (loss)	28,460	61,890	33,430
Interest income	1,600	5,373	3,773
Interest expense	(29,500)	(29,359)	141
Change in net assets	560	37,904	37,344
Net assets beginning of year	332,656	332,656	-
Net assets ending of year	<u>\$ 333,216</u>	<u>\$ 370,560</u>	<u>\$ 37,344</u>

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for Year Ended December 31, 2005

Actual "Gas Sales" exceeded budget amounts by \$167,106 and was the major item in the actual "Total Operating Revenues" excess over budgeted amounts. Actual "Operating Expenses" were \$136,541 over budget, which was 24.60% over "Operating Expenses" budgeted. The District's amended budget showed an operating income of \$28,460 but the actual operation resulted in an operating income of \$61,890. The District's amended budget showed a total net income of \$560 (change in net assets) while the actual income (change in net assets) was \$37,904.

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General operating Data

	December 31, 2005	December 31, 2004	Increase (decrease)
Customers			
Active	823	853	-30
Locked	181	133	48
Total	<u>1004</u>	<u>986</u>	<u>18</u>

The above table shows a decrease of thirty customers. Even with this decrease in customers the District was able to show an increase in operating income, and change in net assets. The District is constantly attempting to increase their customer base.

Following is a comparison of gas losses for the past five years:

	Gas Purchases (MCF'S)	Gas Sales (MCF'S)	Gas Loss (MCF'S)	% Loss
2001	51533	36425	15108	29.32%
2002	45910	37602	8308	18.10%
2003	34478	34406	72	0.21%
2004	37060	30223	6837	18.45%
2005	35560	36141	-581	-1.63%

The Board has established a procedure to check the daily readings from El Paso Gas' meters. They are able to determine leaks in the District's system due to any large fluctuations in the readings. The District has been replacing old meters, which they felt was a source of gas losses in the past. "Gas purchases" is the net effect of total purchases plus beginning inventory less ending inventory.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for Year Ended December 31, 2005

One key measure of a gas district's profitability, and ability to generate positive cash flows, is the ability of the District to collect accounts receivable on a timely basis. Presented below is an aged receivable listing (before the allowance for uncollectible accounts) for fiscal years ending December 31, 2005, and 2004.

	Year Ended December 31, 2005	%	Year Ended December 31, 2004	%	Increase (decrease) In Percent
0 - 30 Days	\$ 171,900	92.9%	\$ 85,412	94.4%	-1.5%
31 - 60 Days Past DUE	9,636	5.2%	3,404	3.8%	1.4%
61 - 90 Days Past DUE	2,465	1.3%	1,370	1.5%	-0.2%
Over 90 Days Past DUE	994	0.6%	246	0.3%	0.3%
Total Accounts Receivable	<u>\$ 184,995</u>		<u>\$ 90,432</u>		

Past due receivables increased \$8,075 from December 31, 2004 to December 31, 2005. This reflects the increase amount of customer bills due to the drastic increase in cost of natural gas. Larger bills are harder for customers to pay. The District's Board still enforces a strict cut-off policy; however because of Hurricane Katrina some allowances have been granted.

Capital Assets

At the end of the fiscal year December 31, 2005, the District had \$591,861 (net of accumulated depreciation) recorded in capital assets. This includes gas line systems and improvements, gas meters, storage building, office equipment, transportation equipment, and maintenance equipment. The changes in capital assets are presented in the table below.

	January 1, 2005	December 31, 2005	Dollar Change	Percent Change
Gas Line System	\$ 1,512,523	\$ 1,512,523	\$ -	0.00%
Gas Meters	12,440	12,440	-	0.00%
Storage Building	15,001	15,001	-	0.00%
Office Equipment	11,918	13,658	1,740	14.60%
Transportation Eq.	18,500	31,062	12,562	67.90%
Other Equipment	34,648	34,648	-	0.00%
Subtotal	<u>1,605,030</u>	<u>1,619,332</u>	<u>14,302</u>	<u>0.89%</u>
Less Accumulated				
Depreciation	<u>(967,884)</u>	<u>(1,027,471)</u>	<u>(59,587)</u>	<u>6.16%</u>
Net Capital Assets	<u>\$ 637,146</u>	<u>\$ 591,861</u>	<u>\$ (45,285)</u>	<u>-7.11%</u>

Capital asset purchases for the year ended December 31, 2005 consisted of a truck in the amount of \$12,561, and a computer for \$1,741.

WASHINGTON PARISH GAS UTILITY DISTRICT NO. 2
WASHINGTON PARISH GOVERNMENT
Franklinton, Louisiana

Management's Discussion and Analysis
As of and for Year Ended December 31, 2005

Long – Term Debit Activity

The present source of the long-term financing for the District is a revenue bond financed by the United States Department of Agriculture, Rural Development. The bonds were issued on behalf of the District for the purpose of constructing and acquiring improvements, extensions, and replacements to their gas utility system and to retire the old bond debt (\$376,126). The funds were advanced over a period from June 1999-October 2000, and totaled \$758,000. Interest on the debt is charged at a rate of 4.75% per annum payable over twenty years. Bonds financed for the District do not generally require a specific debt to net income or net cash flow ratio, but bond restrictions do state that the District must set its gas rates at a level necessary to fund debt service requirements and to pay for normal operating expenses of the District. One measure of operating performance of the District is the Debt to Net-Assets ratio. This measure, viewed over time, yields a comparison of how the District has maintained a workable ratio of total debt to net resources of the District. An increase over an extended period of time would indicate that the District is increasing debt in relation to its operating performance, and in this case the board would analyze other factors, such as overall profitability, to ensure that total debt is increased only in relation to the income that will be earned by financed expansions. As indicated, the ratio is only a measure of performance and should be reviewed over an extended period of time in combination with other factors that indicate the profitability of the District.

	December 31, 2005	December 31, 2004
Total Long-Term Debt	\$ 602,673	\$ 633,921
Total Net Assets	370,560	332,656
Total Long- Term Debt to Net Assets Ratio	<u>162.64%</u>	<u>190.56%</u>

Future Economic Plans

The District's management approach is conservative. The Board actively monitors revenues and expenses and evaluates the costs of proposed expansion projects in relation to the revenue the expansion will generate. The District is continuing to replace the old meters, which will reduce the gas loss. The Board reviews accounts receivable on a monthly basis in an effort to reduce delinquent accounts, and continues to search for ways to increase the number of customers they serve. The Board is actively pursuing reimbursements from FEMA to cover the increased operating cost after the storm, and the gas lost from ruptured lines caused by uprooted trees.

FINANCIAL STATEMENTS

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Statement A

Statement of Net Assets
December 31, 2005 and 2004

	2005	2004
<u>Assets:</u>		
Current assets:		
Cash on hand and in banks	\$ 114,027	\$ 121,405
Accounts receivable-net of allowance for bad debts	179,169	86,106
Unbilled revenue	34,103	24,986
Inventory	89,690	75,374
Prepaid insurance	23,741	25,450
NSF receivable	546	122
Total current assets	441,276	333,443
Restricted assets:		
Revenue Bonds Reserve Fund	15,634	12,474
Revenue Bonds Contingency Fund	20,029	15,370
Customer's meter deposit fund	55,060	49,592
Total restricted assets	90,723	77,436
Property and equipment:		
Gas line system	1,512,523	1,512,523
Gas meters	12,440	12,440
Equipment	79,368	65,066
Storage building	15,001	15,001
Total property and equipment	1,619,332	1,605,030
Less accumulated depreciation	(1,027,471)	(967,884)
Net property and equipment	591,861	637,146
Other assets:		
Deferred bond issuance cost	14,148	14,148
Less amortization	(4,701)	(3,974)
Total other assets	9,447	10,174
Total Assets	\$ 1,133,307	\$ 1,058,199

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Statement A

Statement of Net Assets
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>Liabilities:</u>		
Current Liabilities:		
Accounts payable	\$ 102,193	\$ 38,949
Accrued expenses	2,347	2,148
Current portion of long-term debt	32,750	31,204
Accrued interest payable	627	692
Total current liabilities	<u>137,917</u>	<u>72,993</u>
Current Liabilities-payable from restricted assets:		
Customers' meter deposits	54,907	49,833
Total current liabilities	<u>54,907</u>	<u>49,833</u>
Long-term liabilities:		
USDA Rural Development bonds payable	602,673	633,921
Less current portion	<u>(32,750)</u>	<u>(31,204)</u>
Total long-term liabilities	<u>569,923</u>	<u>602,717</u>
Total liabilities	<u>762,747</u>	<u>725,543</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	(10,812)	3,225
Restricted for Debt Service	35,816	27,603
Unrestricted	345,556	301,828
Total Net Assets	<u>\$ 370,560</u>	<u>\$ 332,656</u>

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Statement B

**Statement of Revenues, Expenses and
Changes in Net Assets**

For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Gas sales	\$ 742,106	\$ 582,986
Forfeited discounts	5,744	3,997
Overread meters and adjustments	2,437	4,366
Miscellaneous income	3,184	2,486
Total operating revenues	<u>753,471</u>	<u>593,835</u>
Operating expenses:		
Cost of gas sold	344,456	265,236
Bad debt provision	1,500	3,000
Other operating expenses (Schedule 1)	286,038	277,033
Depreciation	59,587	58,249
Total operating expenses	<u>691,581</u>	<u>603,518</u>
Operating income (loss)	<u>61,890</u>	<u>(9,683)</u>
Nonoperating revenues (expenses)		
Interest income	5,373	3,391
Gain on Sale of equipment	-	1,001
Revenue bond interest	(29,359)	(30,911)
Total nonoperating revenues (expenses)	<u>(23,986)</u>	<u>(26,519)</u>
Income (loss) before contributions	<u>37,904</u>	<u>(36,202)</u>
Contributions		
Grant contribution	-	5,886
Total contributions	<u>-</u>	<u>5,886</u>
Change in net assets	37,904	(30,316)
Net assets, beginning of year	332,656	362,972
Net assets, end of year	<u>\$ 370,560</u>	<u>\$ 332,656</u>

The accompanying notes are an integral part of these statements.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Statement C
(Continued)

Statement of Cash Flows
For Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers	\$ 649,366	\$ 600,491
Receipts (payments) for meter deposits		2,593
Payments for goods and services	(468,430)	(424,854)
Payments to employees	(110,565)	(103,811)
Net cash provided (used) by operating activities	<u>70,371</u>	<u>74,419</u>
Cash flows from capital and related financing activities:		
Receipts from grants	-	5,886
Increase in restricted assets	(7,714)	(10,169)
Principal payments on debt	(31,247)	(29,758)
Interest payments on bonded debt	(29,423)	(30,911)
Sale of equipment	-	1,900
Payments for capital acquisitions	(14,303)	(4,650)
Net cash provided (used) by capital and related financing activities	<u>(82,687)</u>	<u>(67,702)</u>
Cash flows from investing activities:		
Interest receipts	<u>4,938</u>	<u>3,390</u>
Net cash provided (used) by investing activities	<u>4,938</u>	<u>3,390</u>
Net increase (decrease) in cash and equivalents	(7,378)	10,107
Cash and cash equivalents, beginning of year	121,405	111,298
Cash and cash equivalents, end of year	<u><u>\$ 114,027</u></u>	<u><u>\$ 121,405</u></u>

The accompanying notes are an integral part of these statements.

**Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana**

**Statement C
(Concluded)**

**Statement of Cash Flows
For Years Ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 61,890	\$ (9,683)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	59,587	58,249
(Increase) decrease in accounts receivable	(93,063)	11,699
(Increase) decrease in unbilled receivable	(9,117)	(2,035)
(Increase) decrease in inventory	(14,316)	29,674
(Increase) decrease in prepaid insurance	1,709	(3,276)
(Increase) decrease in nsf receivable	(424)	(32)
(Increase) decrease in bond issue cost	727	732
Increase (decrease) in accounts payable	63,244	(12,675)
Increase (decrease) in accrued expenses	134	(827)
Increase (decrease) in meter deposit payable	-	2,593
Net cash provided (used) by operating activities	<u>\$ 70,371</u>	<u>\$ 74,419</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Notes to Financial Statements
December 31, 2005

Introduction

The Washington Parish Gas Utility District No. 2 was created by the Washington Parish Council on July 7, 1972, under provisions authorized by LRS 33:430. The purpose of the District was to build and maintain a natural gas distribution system for the rural area in the western part of Washington Parish. The system serves approximately 850 customers over distribution lines of 165 miles.

The accounting and reporting policies of the District are the responsibility of a five-member board (compensated-Schedule 2) appointed by the Washington Parish Council. These accounting and reporting policies conform to generally accepted accounting principles as applicable to enterprise funds of a government entity. Such accounting and reporting procedures also conform to the guides set forth in the Louisiana Municipal Audit and Accounting Guide and to the industry audit guide, Audits of State and Local Governmental Units.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The District's financial statements are prepared on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement # 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No 34 established standards for financial reporting, with presentation requirements including a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows.

B. Reporting Entity

As the governing authority of the parish, for reporting purposes, the Washington Parish Council is the financial reporting entity for Washington Parish.

**Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana**

**Notes to Financial Statements
December 31, 2005**

The financial reporting entity consists of (a) the primary government, parish council, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No 14 established criteria for determining which component units should be considered part of the Washington Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the parish council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Council.
2. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the Parish Council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the parish council appoints the governing board and has the ability to significantly influence operations, the District was determined to be a component unit of the Washington Parish Council, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting

The Washington Parish Gas Utility District No. 2 is organized and operated on a fund basis of accounting whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that cost (expenses, including depreciation) of providing service on a continuing basis be financed or recovered primarily through user charges.

**Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana**

**Notes to Financial Statements
December 31, 2005**

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a "flow of economic resources" measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The District uses the following practices in recording certain revenue and expenses:

Revenues

All revenues are susceptible to accrual basis of accounting. Gas revenues are billed on a recurring monthly basis, as the District's customers use gas. Bills are rendered at the beginning of each month for gas used the previous month. Accounts are primarily collected in the month following use of the gas. Re-connect fees, and installation fees are recorded in the month the service is rendered and collected. Interest income is paid and recorded on a monthly basis. Interest is accrued as earned on those treasury notes.

Expenses

The District records expenses as they are incurred. Gas purchases are billed monthly and paid the following month. Supplies purchased during the month are normally paid the next month.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

E. Budget

The proposed budget for 2005 was presented at the November 23, 2004 board meeting, and adopted at the December 17, 2004 board meeting. The budget is prepared on the accrual basis of accounting, with additional provision made for bond debt service. The board forwarded a copy of the approved budget to the Washington Parish Council. The board reviews the budget actual comparison on a monthly basis as a part of their management of the system. The 2005 budget was amended at the November 22, 2005 board meeting. The 2006 budget was presented at the November 22, 2005 board meeting and adopted at the December 15, 2005 meeting.

F. Cash and Cash Equivalents

Cash includes unrestricted amounts in demand deposits, interest bearing demand deposits, and money market accounts. The District includes in cash and cash equivalents, amounts in time deposits and those investments in bank certificates of deposits with original maturity of no more than 90 days.

Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. These are classified as investments if their original maturity exceeds 90 days. Investments are stated at their fair market value.

**Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana**

**Notes to Financial Statements
December 31, 2005**

G. Inventories

The District purchases their estimated monthly gas allotment based on historical analysis. By agreement with El Paso Energy Co., the District is allowed to store any surplus gas in the El Paso Energy Co. facilities. Inventories of gas are valued at lower of cost or market and are expensed using the first-in first-out method.

H. Prepaid Items

Prepaid items consist of expenses paid in the current year that cover the operations during part of the next fiscal year.

I. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside in accordance with bond covenants, are classified as restricted assets.

Bond Reserve and Contingency Funds

The Revenue Bond Reserve Fund and Contingency Fund were established as part of the \$758,000 gas utility revenue bond series 1998 indenture. The Bond Reserve Fund is an investment account (bank savings account) where funds are accumulated (\$151 per month) and held in reserve for payment of bonds and interest when the necessary funds would not be available from operating funds. Maximum amount for the Reserve Fund is one year's payments of interest and principle (\$60,672). The Contingency Fund is an investment account where funds are accumulated (\$253 per month) to pay for any emergency repairs or other contingencies that may arise. There is no maximum balance established for this fund. Accumulation of these funds was to commence upon completion and acceptance of the new distribution line (September 2001).

Customer Meter Deposits

Money received for utility deposits paid by new customers is held at various banks in Franklinton, Louisiana. The District holds meter deposits until a customer becomes inactive. The meter deposit is then applied to the accounts receivable balance due and any remainder is refunded to the customer. Current meter deposits are: large commercial \$150, small retail \$120, renters \$150, and homeowner \$100.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Notes to Financial Statements
December 31, 2005

J. Fixed Assets

Fixed assets of the District are included on the balance sheet of the Enterprise Fund at historical cost. Interest costs incurred during construction were capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Gas system	40 years
Gas meters	20 years
Office equipment	10 years
Other equipment	5 years

K. Long Term Liabilities

Long-term liabilities are recognized on the statement of net assets of the enterprise fund. Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the bond.

L. Net Assets

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, requires classification of net assets, the difference between the District's assets and liabilities, into three components, as described below:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

M. Compensated Absences

All employees of the District earn 10 days of vacation leave each year. Vacation leave must be taken following the year earned. However, upon termination or retirement, employees are paid for any unused vacation leave earned during the current year. All employees earn ½ day of sick leave each month during the year. A total of 18 days of sick leave can be accumulated. All accumulated sick leave lapses upon termination. There were no accumulated or vested leave benefits reported by the District in accordance with GASB Statement No. 16 as of December 31, 2005.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Notes to Financial Statements
December 31, 2005

N. Use of Estimates

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At December 31, 2005, the District has unrestricted cash and cash equivalents (book balances) totaling \$114,027.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are to be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2005, the District's demand deposits (collected bank balances) totaled \$128,837 within two banks. Banks at one bank totaling \$10,448 were secured from risk by \$10,448 of federal deposit insurance. At the second bank, demand deposits totaled \$118,389. These deposits were secured from risk by \$100,00 of federal deposit insurance, and pledged securities in the amount of \$18,389. The pledged securities are represented by a federal letter of credit, from the Federal Reserve Bank of New Orleans, Louisiana, registered in the name of the pledging bank. Because the pledged security is not registered in the District's name, the deposits are considered un-collateralized (Category 3) under the provisions of GASB Statement Number 3.

3. Restricted Assets

At December 31, 2005, the District had restricted funds as follows:

	<u>Bank Balances</u>	<u>Book Value</u>
Meter Deposit Funds:		
Demand deposits	\$ 15,783	\$ 15,783
Interest-bearing demand deposits	17,277	17,277
Time deposits (C. D.s)	22,000	22,000
Reserve and Contingency Funds:		
Interest-bearing demand deposits	35,663	35,663
	<u>\$ 90,723</u>	<u>\$ 90,723</u>

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Notes to Financial Statements
December 31, 2005

4. Accounts Receivable

Net accounts receivable totals \$179,169 at December 31, 2005. Aging of customer receivables at fiscal year end is as follows:

0 -30 Days Past Due	\$ 171,900
31-60 Days Past Due	9,636
61-90 Days Past Due	2,465
Over 90 Days Past Due	<u>994</u>
Total Accounts Receivable	184,995
Less allowance for bad debts	<u>(5,826)</u>
Net accounts receivable	<u>\$ 179,169</u>

5. Unbilled Revenue

Unbilled revenue totals \$34,103 and consists of gas consumed between the final meter reading cycle beginning in December 2005 and ending in January 2006, and not billed to customers until the next month.

6. Bad Debts

Uncollectible amounts due from customers' receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The bad debts are charged off against an allowance account established as an average of the last 3 years charge off's, or the average percentage of charge-offs to sales, whichever is greater.

Allowance account balance 1/01/2005	\$ 4,326
Current year provision for doubtful accounts	<u>1,500</u>
Allowance account balance 12/31/2005	<u>\$ 5,826</u>

7. Capital Assets

All capital assets are stated at historical cost. Following is a summary of the activity in the capital asset accounts for 2005:

	Beginning Balance	Additions	Deletions	Ending Balance
Gas system	\$ 1,512,523	\$ -	\$ -	\$ 1,512,523
Gas meters	12,440	-	-	12,440
Office equipment	11,917	1,741	-	13,658
Transportation equipment	18,500	12,562	-	31,062
Other equipment	34,648	-	-	34,648
Storage building	<u>15,001</u>	<u>-</u>	<u>-</u>	<u>15,001</u>
Total Capital Assets	1,605,029	14,303	-	1,619,332
Less: Accum. Deprec.	<u>(967,884)</u>	<u>(59,587)</u>	<u>-</u>	<u>(1,027,471)</u>
Net Capital Assets	<u>\$ 637,145</u>	<u>\$ (45,284)</u>	<u>\$ -</u>	<u>\$ 591,861</u>

Depreciation totaling \$59,587 is computed on a straight-line basis for financial statement purposes.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Notes to Financial Statements
December 31, 2005

8. USDA Rural Development Bonds

The following is a summary of the long-term liability transactions during the year:

<u>Description</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Gas Utility Revenue					
Bonds series 1998	\$ 633,921	\$ -	\$ 31,248	\$ 602,673	\$ 32,750
Total	<u>\$ 633,921</u>	<u>\$ -</u>	<u>\$ 31,248</u>	<u>\$ 602,673</u>	<u>\$ 32,750</u>

The current balance of \$602,673 (original issue of \$758,000 of par value Gas Utility Revenue Bonds series 1998 dated June 1, 1999) were issued on behalf of the District for the purpose of constructing and acquiring improvements, extensions, and replacements to their gas utility system and to retire the old bond debt (\$376,126). The funds were advanced over a period from June 1999-October 2000, and totaled \$758,000. The bond debt consists of one bond payable to the USDA Rural Development. Payments of \$5,056 commenced July 2000, and include interest at the rate of 4.75% per annum payable over twenty years. In addition to the monthly payment of the bonded debt the District is to make monthly payments to a reserve fund (\$151), and a contingency fund (\$253), commencing upon date of completion and acceptance of the extension project. At December 31, 2005, the reserve and contingency funds were fully funded. Following is a schedule of future debt payments including interest expense of \$213,308 on these bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 32,750	\$ 27,920	\$ 60,670
2007	34,340	26,330	60,670
2008	36,007	24,663	60,670
2009	37,755	22,915	60,670
2010	39,588	21,082	60,670
2011 - 2015	228,704	76,646	305,350
2016 - 2019	193,531	13,752	207,283
Totals	<u>\$ 602,675</u>	<u>\$ 213,308</u>	<u>\$ 815,983</u>

9. Litigation and Claims

As of December 31, 2005, the District did not have any lawsuits.

**Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana**

**Notes to Financial Statements
December 31, 2005**

10. Leases

The District does not have any items under a capital or operating lease at December 31, 2005.

11. On-Behalf Payments

The Washington Parish Council pays certain operating expenditures of the District. The District's office is located in a building leased by the Council. The Council pays the rent and utilities on the building (office space approximately 80 square feet). These expenditures are not reflected in the accompanying financial statements.

12. Intergovernmental Agreement

The District and the Parish Council signed an intergovernmental cooperative agreement concerning the use of Parish Council property for an equipment yard and space for the storage shed. The term of this agreement was for the period June 1, 2002 through May 31, 2003. The term is extended on a month-to-month basis after May 31, 2003, with either party having the right to cancel the agreement by giving 60 days written notice to the other party. The District constructed a fence around the property and had placed a portable storage building on the property. The District has the right to remove any improvements made to the property within 30 days after the effective date of cancellation.

13. Pension Plan

The District adopted a "Simple IRA" retirement plan on April 4, 2005. The prototype plan provides for participating (employee election-\$5,000 earnings in any previous 2 years) employees to defer through payroll withholding up to \$10,000 per year. The District agreed to match employee withholdings, up to 3% of each participating employees' wages. Contributions are made each month following the month withholdings are collected. The District began withholding retirement funds in May 2005. Total pension fund expense was \$1,903 for the fiscal year ending December 31, 2005.

SUPPLEMENTAL INFORMATION

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Schedule 1

**Schedule of Revenues, Expenses and Changes in
Net Assets - Budget and Actual**

For Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:				
Gas sales	\$ 575,000	\$ 575,000	\$ 742,106	\$ 167,106
Forfeited discounts	5,000	5,000	5,744	744
Adjustment/overread meters	4,000	1,000	2,437	1,437
Reconnect and Installation Fees	1,800	1,500	2,685	1,185
Miscellaneous income	2,000	1,000	499	(501)
Total operating revenues	<u>587,800</u>	<u>583,500</u>	<u>753,471</u>	<u>169,971</u>
Operating expenses:				
Gas purchases	236,000	244,000	344,456	(100,456)
Bad debts	3,000	3,000	1,500	1,500
General and administrative expense	267,650	253,040	286,038	(32,998)
Depreciation	55,000	55,000	59,587	(4,587)
Total operating expenses	<u>561,650</u>	<u>555,040</u>	<u>691,581</u>	<u>(136,541)</u>
Operating income (loss)	<u>26,150</u>	<u>28,460</u>	<u>61,890</u>	<u>33,430</u>
Nonoperating revenues (expenses):				
Interest income	1,600	1,600	5,373	3,773
Revenue bond interest expense	(30,900)	(29,500)	(29,359)	141
Total nonoperating revenues (expenses)	<u>(29,300)</u>	<u>(27,900)</u>	<u>(23,986)</u>	<u>3,914</u>
Income (loss) before contributions	<u>(3,150)</u>	<u>560</u>	<u>37,904</u>	<u>37,344</u>
Contributions - Grant	5,900	-	-	-
Change in net assets	2,750	560	37,904	37,344
Net Assets, beginning	332,656	332,656	332,656	-
Net Assets, ending	<u>\$ 335,406</u>	<u>\$ 333,216</u>	<u>\$ 370,560</u>	<u>\$ 37,344</u>

See Independent Auditor's Report.

Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

Schedule 2

Schedule of General and Administrative Expense
For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Salaries	\$ 100,834	\$ 95,787
Payroll taxes	8,087	7,198
Pension contributions	1,903	-
Accounting services	8,400	8,100
Legal fees	820	630
Board of Commissioners expense	5,925	5,625
Insurance	60,243	45,412
Supplies and expense-office	6,768	6,430
Supplies and expense-gas line	21,050	17,419
Repairs and maintenance	2,527	11,606
Compliance regulation	24,000	24,000
Leak survey	11,665	29,101
Meter reading	744	-
Telephone	5,034	4,957
Training	874	3,875
Travel	2,077	1,671
Truck expense	9,135	5,753
One-call concept	854	1,013
Severance taxes	3,115	5,511
Uniforms	1,860	-
Utilities	385	-
Amortization of bond issuance cost	727	732
Equipment rent	6,800	-
Miscellaneous	2,211	2,213
Total	<u>\$ 286,038</u>	<u>\$ 277,033</u>

See Independent Auditor's Report

Washington Parish Gas Utility District No. 2

**Washington Parish Council
Franklinton, Louisiana**

Schedule 3

**Schedule of Insurance Coverages
As of and for the Year Ended December 31, 2005**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Limits</u>	<u>Policy Dates</u>
American Empire Surplus Lines Insurance Company Policy # 4EP06071	General Liability: -General Aggregate -Personal & Advertising Injury -Each Occurrence -Medical Expense Per Person	\$ 1,000,000 1,000,000 1,000,000 5,000	06/01/05- 06/01/06
Progressive Auto Insurance Policy # 02230428-2	Auto Insurance: -Bodily Injury/Property Damage Combined Single Limit (CSL) -Uninsured/Underinsured Liability (CSL) -Hired Autos Liability(CSL) -Employer Nonowned Auto Liability (CSL) -Comprehensive & Collision Medical Payments	 500,000 100,000 500,000 500,000 (Scheduled) 5,000/person	07/23/05 - 07/23/06
Louisiana Workers Compensation Corp (LWCC) Policy # 76619-A	Workers Compensation	(Statutory Limits)	09/12/05 - 09/12/06
CNA Surety Company - Bond # 68863996	Scheduled Coverages for Board Members & Employees: -Board Member -Board Member -Board Member -Employee	 100,000 100,000 100,000 100,000	06/07/05 - 06/07/06

See Independent Auditor's Report.

**Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana**

Schedule 4

**Schedule of Compensation Paid Board Members
As of and for the Year Ended December 31, 2005**

The Board of Commissioners of the District consists of five members appointed by the Washington Parish Council. The following schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation did not exceed provisions of R.S. 33:4305.B. [1].

	<u>Regular Meetings</u>	<u>Board Fees</u>	<u>Travel</u>	<u>Total</u>
Olander Smith	9	\$ 675	\$ 17	\$ 692
George McKenzie 56151 B.B. McKenzie Rd. Franklinton, LA 70438 (985) 848-2476	13	975	409	1,384
Joe H. Davis 46661 Emma Hart Rd. Franklinton, LA 70438 (985) 839-6537	13	975	99	1,074
John Stevens 40299 Hwy 16 Franklinton, LA 70438 (985) 839-2133	22	1,650	302	1,952
Earl Forrest, Chairman 28755 Webb Rd. Mt. Hermon, LA 70450 (985) 877-5065	22	1,650	1,166	2,816
Totals		<u>\$ 5,925</u>	<u>\$ 1,993</u>	<u>\$ 7,918</u>

The Commissioners are appointed to the following terms as of January 1, 2005:

Earl Forrest	5 years
Joe Davis	1 year
Olander Smith	2 years
George McKenzie	3 years
John Stevens	4 years

Mr. Davis was re-appointed to the Board in January 2006.

Re-appointments are made each January for the member whose term expires.

See Independent Auditor's Report.

**Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana**

Schedule 5

Schedule of Gas Rates

For Year Ended December 31, 2005

All residential, commercial, and industrial rates are the same.

**\$ 3.39 Per CCF
\$33.90 First CCF (Minimum Charge)
\$ 3.39 Any overages are charged at \$1.40**

See Independent Auditor's Report

**Washington Parish Gas Utility District No. 2
Summary Schedule of Prior Year Audit Findings**

As of and for the Year Ended December 31, 2005

Schedule 6

Section I - Internal Control and Compliance Material to the Financial Statements

Reference Number: 2002-1

Fiscal Year Finding Initially Occurred: Fiscal Year Ending December 31, 1974

Description of Finding:

This finding noted a lack of separation of duties of the A/R billings and collections.

Corrective action taken:

The District has standardized the monthly billing process. The board of commissioners reviews and approves all monthly adjustments to customers' accounts, and utilizes an outside CPA to review the monthly accounts receivable reconciliation.

Corrective Action Planned (Response by Management):

Partial. The board of commissioners will continue to monitor the billing process since there are too few personnel to provide adequate segregation of duties.

Section II - Internal Control and Compliance Material to Federal Awards

Section II. Not applicable.

Section III - Management Letter

No Findings for Section III.

**Washington Parish Gas Utility District No. 2
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended December 31, 2005**

Schedule 7

Section I - Internal Control and Compliance Material to the Financial Statements

No Findings for Section I.

Section II - Internal Control and Compliance Material to Federal Awards

Section II. Not applicable.

Section III - Management Letter

No Findings for Section III.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Washington Parish Gas Utility District No. 2
Washington Parish Council
Franklinton, Louisiana

We have audited the financial statements of the business-type activities and each major fund of the Washington Parish Gas Utility District No. 2, a component unit of the Washington Parish Council, for the year ended December 31, 2005, which comprise Washington Parish Gas Utility District No.2's basic financial statements and have issued our report thereon dated June 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Washington Parish Gas Utility District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the Summary Schedule of Prior Year Audit Findings as Reference Number 2002-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington Parish Gas Utility District No.2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
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To the Board of Commissioners
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Franklinton, Louisiana
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This report is intended solely for the information of management of the Washington Parish Gas Utility District No.2, the Legislative Auditor, and the USDA Rural Utilities Service, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statutes 24:513.



Bruce Harrell and Company, CPAs
A Professional Accounting Corporation

June 26, 2006